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ILLINOIS COMMERCE COMMISSION

Energy Division Staff Report
Recommendation to Open an Investigation into Further Delivery Services
Unbundling

ORIGINAL

September 10, 2003

Introduction

Section 16-109 of the Public Utilities Act ("Act") requires the Commission to investigate the need for and desirability of unbundling delivery services. The Commission initiated an investigation into the need for the unbundling of delivery services by order entered on January 13, 1999, in Docket No. 99-0013. In an Interim Order dated April 12, 1999, the Commission concluded that metering and billing services offered by electric utilities should be unbundled. The Commission issued its Final Order in Docket No. 99-0013 on October 4, 2000.

Section 16-109 directs the Commission to open another investigation to examine the need for and desirability of different or additional delivery services unbundling, which should begin within three years after the entry of its order in the first investigation (i.e., October 4, 2003), and to issue its final order no later than six months after the proceeding is initiated.

Staff recommends that the Commission open a proceeding by October 4, 2003, to examine the following issues:

1. Are there any additional delivery services that should be unbundled?
2. Should metering and billing services be further unbundled?

Staff recommends that the Commission direct Staff to meet with interested parties to discuss these two issues. After the conclusion of these meetings, Staff will provide a report to the Commission with recommendations for further action by the Commission.

Discussion

Section 16-102 of the Act defines delivery services as follows:

"Delivery services" means those services provided by the electric utility that are necessary in order for the transmission and distribution systems to function so that retail customers located in the electric utility's service area can receive electric power and energy from suppliers other than the electric utility, and shall include, without limitation, standard metering and billing services.

Docket No. 99-0013 was initiated to consider whether to unbundle delivery services. As discussed by Staff in the proceeding, the Commission stated in its April 12, 1999, Interim Order ("Interim Order") that an unbundled service

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...is a service offered and priced separately by the utility that the customer is allowed to purchase from third party providers. The customer is allowed to purchase the remaining services of the utility without necessarily buying the unbundled service (Interim Order, p. 10).

Various parties to the proceeding advocated the unbundling of the following delivery services: (i) metering; (ii) billing; and (iii) customer handling. After considering the effect of unbundling delivery services on the three factors listed in Section 16-109, the Commission concluded in the Interim Order that the metering and billing services provided by electric utilities should be unbundled.¹ The Commission rejected the unbundling of "customer handling."

A subsequent Interim Order ("Third Interim Order,") filed December 22, 1999, resulted in a number of Commission findings and conclusions with respect to the unbundling of metering and billing. These findings and conclusions are discussed below.

A. Metering Services

The Commission determined (among other things) that: (i) sixteen metering processes should be unbundled; (ii) providers of metering services (termed "Metering Service Providers" or "MSPs") would need certification from the Commission to provide such services;² (iii) MSPs offering unbundled metering services must offer each of the sixteen metering processes; (iv) a customer taking unbundled metering services must take all sixteen metering processes from the same MSP; and, (v) a retail customer should not own the meter used by the distribution utility for the purpose of calculating delivery services or provide any of the unbundled metering services associated with that meter.

B. Billing Services

Section 16-118(b) of the Act requires electric utilities to offer "single billing" services to Alternative Retail Electric Suppliers ("ARES"). Single billing permits an ARES to combine charges for its own services with charges for the distribution services offered by electric utilities. The single billing option ("SBO") has been in place since the customer choice era began in October 1999.

The Commission determined in the Third Interim Order that the unbundling of billing services should be limited to the SBO and the billing

¹ The three factors are the following: (i) the objective of just and reasonable rates; (ii) electric utility employees; and (iii) the development of competitive market for electric services in Illinois.

² The Commission adopted 83 Ill. Adm. Code 460, "Certification Requirements and Standards of Service for Meter Service Providers," on December 6, 2000, effective December 15, 2000.

functions that may be included in the sixteen metering services. The Commission rejected suggestions that other billing services be unbundled.

C. Customer Handling

According to one party advocating the unbundling of customer handling, customer handling consists of the following three functions:

- (1) billing-related customer service, including credit and collections;
- (2) enrollment service when a customer moves to a new location in the service area (either moving between locations in the same distribution service area or moving from outside the area into the area); and
- (3) service-related customer service, generally related to outages or other physical electric service issues (Third Interim Order, p. 30).

In the earlier proceeding, the Commission declined to unbundle customer handling. The Commission concluded then that the record did not demonstrate that the unbundling of billing-related customer service would allow utilities to reduce costs. The Commission further concluded that unbundling the three customer handling functions would not enhance the objective of just and reasonable rates or promote the development of competitive markets for electric services in Illinois (*Ibid.*).


Conclusion

In the earlier proceeding, the Commission ordered electric utilities to make metering and billing services available on an unbundled basis to customers taking delivery services. The Commission considered, but rejected, unbundling a further component of delivery services known as customer handling.


Under Section 16-109 of the Act, the Commission is obligated to open another proceeding to consider further delivery services unbundling. That proceeding should begin by October 4, 2003, and conclude within six months. Staff recommends that the proceeding focus on only two issues. First, the proceeding should evaluate whether there is a delivery service in addition to metering and billing that should be unbundled. Second, the proceeding should consider whether metering and billing, the two services that have already been unbundled, should be further unbundled or subdivided.

Staff recommends that the Commission direct Staff to seek comments from, and if necessary, hold a workshop or workshops with, interested parties about these two issues. At the conclusion of these activities, Staff will provide a report to the Commission with recommendations for any further actions that might be necessary to fulfill the Commission's responsibilities under Section 16-109 of the Act.

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